

~~SECRET~~

Pub File

25X1

OCI No. 1554/63

CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports
22 May 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The World Sugar Market

1. The current world sugar price of almost 11 cents per pound is more than three times the level of a year ago and the highest in 40 years. Most of this increase has taken place within the last six months. It is believed that the rise is attributable to a tight supply situation rather than to Soviet manipulation of the market.

25X1

25X1

~~SECRET~~

25X1

25X1

The World Sugar Situation

2. World sugar consumption is expected to exceed total production by about 3 million tons in 1962-63, the first year in which this has occurred since 1956-57. It has been increasing about four percent per year--2 million to 3 million tons annually. Production, on the other hand, was about 51 million metric tons in both 1961-62 and 1962-63, around 4 million tons below the peak level achieved in 1960-61. At the beginning of the 1962-63 season, carry-over stocks of sugar in 47 countries which normally account for about 75 percent of total production (including Cuba, but excluding other bloc countries) were about 19 percent--almost 2 million tons--below those of a year earlier. Cuban stocks had been practically liquidated, and free world stocks were declining. Inventories in the USSR, on the other hand, were unusually high.

3. A number of factors had an adverse effect on world sugar production during the 1961-62 and 1962-63 seasons. Many countries, particularly in Latin America, had lowered their sugar production targets following the 1960-61 season because of burdensome stocks. Also, unfavorable weather in Europe for two consecutive years reduced yields of sugar beets.

4. Cuban sugar production in 1962-63 is expected to be about 4 million tons, substantially less than the relatively poor crop of 4.8 million tons in 1961-62. The European beet crop which will be harvested this fall is the first source which could raise supplies substantially to meet increased demand. However, indications are that European sugar-beet plantings this spring are up only three percent above last year, far below earlier expectations. A very late spring in Europe was a major factor holding down the increase in plantings, and the lateness of the season also dimmed early prospects for the yields this year. This factor together with the Haitian-Dominican Republic unrest and an announcement by the US Department of Agriculture on 6 May that it had increased the US sugar

25X1

~~SECRET~~

25X1

marketing quota by 600,000 tons have all contributed to recent advances in the world price of sugar.

The Soviet-Cuban Position

5. Although there are no firm data available on the amount of surplus sugar currently held by the USSR, a reasonable estimate can be made. Soviet stocks of sugar as of 1 January 1963 are estimated to have been about 4 million to 4.5 million metric tons (refined value). The size of Soviet stocks before the build-up in recent years suggests that a level of about 2.5 million to 3 million metric tons is normal. Thus, it appears that the Soviet Union probably now has about 1 million to 2 million tons of sugar which could be sold on the world market.

6. The failure of the Soviet Union to enter the market with its surplus stocks of sugar could be considered "manipulation," if the decision to withhold sales has been made deliberately in order to force up the price. Although it is entirely possible and logical that the USSR may attempt to increase its sales to the free world (either directly or by indirect transaction through other bloc exporters such as Poland and Czechoslovakia) in order to take advantage of the current high prices on the world market, we have no evidence that the Soviet Union contemplates sales of a large quantity of its surplus sugar.

25X1

25X1

25X1

~~SECRET~~

25X1

~~SECRET~~

25X1

25X1

25X1

A portion, and perhaps a large portion, of the Cuban sugar that will be exported to the free world market was contracted for in late 1962 before the largest price increases had occurred. Furthermore, available evidence indicates that the Communist bloc is not willing to increase its buying price for Cuban sugar and will continue to pay only 4 cents per pound. Finally, Cuba will have considerably less sugar to sell, not only because of lower production in 1963 but also because reserve stocks still available in 1962 have now been exhausted.

9. If present estimated Cuban contracts with the West are honored, sugar exports to the free world in 1963 will total \$120 million to \$150 million. Total sales to the bloc should range between \$200 million to \$230 million, depending upon the amount of sugar Cuba finally is able to produce and upon the minimum level of exports at 4 cents per pound which the Cubans are required to maintain. (This level is not known.) Thus Cuba's total exports of sugar in 1963 will probably range between \$320 million and \$380 million in contrast to an

~~SECRET~~

25X1

~~SECRET~~

25X1

estimated \$430 million during 1962, in spite of the present high world price. However, if the USSR should either permit greater Cuban sales to the free world or pay the Cubans a price above 4 cents--the former is more likely--the Cuban position could be substantially improved.

~~SECRET~~

25X1